

VZCZCXR05354

OO RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR

DE RUEHSM #0607/01 2481506

ZNY CCCCC ZZH

O 041506Z SEP 08

FM AMEMBASSY STOCKHOLM

TO RUEHC/SECSTATE WASHDC IMMEDIATE 3720

RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 STOCKHOLM 000607

SIPDIS

E.O. 12958: DECL: 09/04/2018

TAGS: PREL PGOV EU GG RU SW

SUBJECT: SWEDEN ON GEORGIA IN ADVANCE OF THE SEPTEMBER 5-6

GYMNICH

REF: A. STATE 93264

IB. STOCKHOLM 587

Classified By: DCM ROBERT SILVERMAN FOR REASONS 1.4 (B & D)

I1. (C) Summary: Swedish MFA Political Director Lyrvall told us September 4 that Sweden will emphasize the "political side" in upcoming donor conferences to highlight the need to demonstrate solidarity with Georgia and restore investor confidence. FM Bildt will work to "send a strong message" to French President Sarkozy before his September 8 trip to Moscow, including on visa liberalization for the Georgians and the importance of deploying ESDP civilian observers. The EU is also prepared to offer Georgia a "deep" FTA, he said. Lyrvall asked us to check whether the USG would be willing to explore what actions might be taken against individuals and entities that do business in the breakaway regions of Abkhazia and South Ossetia. End Summary.

Donors Conference and Rebuilding Georgia

I2. (C) On September 4, DCM and POL Counselor raised reftel talking points with Bjorn Lyrvall, Director General for Political Affairs in the Swedish MFA. With regard to the planned international donors conference for Georgia, Lyrvall emphasized that the Swedes intend to "emphasize the political side") the need to take steps that demonstrate solidarity with the Georgians and reinforce investor confidence in the country, in addition to aid pledges.

I3. (C) He stated that the European Commission assesses civilian damages in Georgia to be "significantly lower" than what the Georgians claim, and that EC experts estimate it would cost 110 million euros for immediate civilian reconstruction in "Georgia proper," i.e., not including South Ossetia and Abkhazia. (Note: He added that he does not like the term "Georgia proper," but that it is in use in the EU and that "some feel we must face reality." Others are beginning to use the term "interior Georgia" which seems more neutral to us. End note.) He stated that rebuilding the military is not something that will "go through" because there is "no support." Asked whether non-lethal support might be a possibility, Lyrvall mused that there may be "some opportunities" but that there exists "strong EU regulations" on such assistance. Lyrvall stressed growing EU support for a "deep" free trade agreement with Georgia, though the Georgians do not seem interested in this, he said.

EU Council and Gymnich

I4. (C) Lyrvall raised the September 1 extraordinary European Council meeting on Georgia, noting that Foreign Minister Carl Bildt had pushed for a tougher line but "we did not get everything we wanted.⁸ Stating that the "end result could have been tougher," Lyrvall noted that "at least the EU took a united position." He said Sweden had pushed for language calling for the Russians to withdraw to the positions they held prior to August 7, which he termed "better than the language of the six point plan." Lyrvall also highlighted

the suspension of negotiations on the EU-Russia Partnership Agreement, though he repeated his earlier comments that the Russians did not seem too interested in the talks anyway. He said in the upcoming Gymnich, Carl Bildt will try to get other foreign ministers to unite over a "strong message" to Sarkozy before he leaves for Moscow on September 8, and specifically to press for a &clear working out" of the modalities of the "special mechanism."

Visa Liberalization for Georgians

¶ 15. (C) Lyrvall said support for relaxing EU visa regulations for Georgians is "much stronger and broader now." He noted the paradox of Russian passport holders in the enclaves of Abkhazia and South Ossetia now enjoying liberalized visa regimes while Georgian passport holders do not. Asked whether the EU had considered Sweden's proposal to restrict visa free travel for Russian elites (ref B), Lyrvall noted there was "little appetite for sanctions right now," - see FATF below.

ESDP Observers

¶ 16. (C) On the question of ESDP civilian observers for Georgia, Lyrvall stated that Sweden would like to see a 200-person monitoring force deployed. "Planning is ongoing, but at least one country is reluctant to send observers without prior coordination with Moscow," he added. Asked to specify, he stated that Cyprus remains reluctant, though he was unsure whether Cyprus would hold this position to the end.

FATF

STOCKHOLM 00000607 002 OF 002

¶ 17. (C) Lyrvall stated that Sweden is interested in exploring possible actions that the EU might be able to take against Russian individuals and entities doing business in the break-away regions. He specifically asked about the possibility of taking action against Russian banks through FATF. Lyrvall commented that simply asking the EC to look at the issue should be sufficient to "give pause to international bankers." He stated, however, that any such action would be "impossible unless the U.S. engages also."

Nordstream

¶ 18. (C) Asked about commentary in the Swedish press that Baltic littoral nations might withhold environmental approvals for the proposed Nordstream pipeline, Lyrvall acknowledged public debate on the issue but said there was no discussion yet along these lines within the government. Rather, as long as the Russians file the right applications, Swedish authorities would plan to "go by the book." Until now, "the thinking has been to try to keep this de-politicized," he said, but admitted that "latest developments have changed the tone in EU thinking." The language about energy diversification in the September 1 EU Presidency Conclusions reflected this, Lyrvall added.

WOOD